The 96th consecutive issue in a series of periodicals devoted to strategic communications issues affecting top management

CONTENTS

AT&T Wireless 2

Measuring Brand 9

Brand Risk 14

Brand Management 18

Wall Street and Brand 22

COVER: The photograph puts forth the issue's theme – brand measurement – by suggesting that those who pursue a numerical value for brand will inevitably fall short of scientific rigor. Brands do, nevertheless, have great value, and measuring them in the hearts and minds of their proponents is the only sure way to protect that value.

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What's the true measure of brand?

Science must be understood as a social phenomenon, a gutsy, human enterprise, not the work of robots programmed to collect pure information.

— Stephen Jay Gould
The Measure and Mismeasure of Man

As the branding and identity consultancy of longest standing in the U.S. we offer the notion that our discipline, at its best, can closely resemble science.

Odd ideas about brand value have cropped up the last several years. Dot-com ventures imagined they could create a brand out of an ad concept, viral marketing and media money, but they concocted phantoms. Attempts were made to deconstruct brand value as a percentage of market capitalization. The word "branding" came into vogue – often meaning building awareness without content – and the inevitable backlash created by these abuses threw the whole notion of brand into question.

Brand is about real value – value in human terms, which doesn't mean only numbers. It's what people do, usually together, to fulfill an implied promise. That's hard to measure, as is often pointed out in this issue. The difficulty is, brand is also an economic proposition. It's rooted in what companies provide and how well they provide it. And if brand is about company performance, it ought to be measurable. We believe it is, but not only in simplistic financial terms. In fact, the measurement process we espouse is more powerful – it affects business outcomes (see pages 9-13).

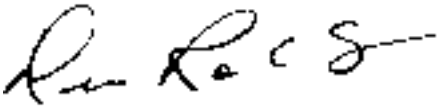
Brand often boils down to perception – a slippery, hard-to-get quality, not an in-the-bank quantity. Avon can come back from the brink, despite years of cultural maladjustment and corporate disinterest, because of residual brand value and new vision, energy and discipline. IBM nearly fell apart as a brand (see details on page 18) yet rebounded with a new corporate strategy and a missionary sense of brand value.

In ten years will women still find Avon relevant? Executives opt for services from IBM? What makes people decide?

These, we believe, are better questions than the proverbial, "How much is my brand worth today?" And while the better questions are more difficult to answer, they provoke answers that build brands and invigorate companies.

This is the crux of the new issue of **Sense**: A celebration of brand at its best, a caution about brand at its most vulnerable, and a quizzical look at brand value distilled to a number. Distillation works for products, not for what's human.

Let's remember, our job is not just to measure a brand, but more about building and shaping it for the future.



Kenneth Roberts
Chairman and CEO
Lippincott & Margulies

John Zeglis became chairman and chief executive officer of AT&T Wireless in October 1999 and oversaw its separation from its parent, AT&T. He joined AT&T in 1984 as corporate vice president for law, became AT&T general counsel in 1986, retained that title while serving in a number of executive roles including president, and was elected vice chairman in 1997. He is a trustee of the United Negro College Fund and sits on the boards of Helmerich and Payne Corporation, Georgia-Pacific Corporation and Sara Lee Corporation.

AN INTERVIEW WITH JOHN ZEGLIS

By first gaining a deep understanding of its brand, AT&T Wireless was able to begin life as a public company with a rock-solid business strategy.

Foundation for

a New Business

Early in 2002 **Sense** interviewed John D. Zeglis, chairman and chief executive officer of AT&T Wireless, America's largest independent wireless company and a client of Lippincott & Margulies. We measured the AT&T Wireless brand, including detailed surveys of three thousand people, to establish a foundation for fundamental business decisions and future brand development. A second and third round of research was completed at time of publication.

A company's leaders have to own the brand personally, deal with it viscerally and give it

Timeline

1877
Alexander Graham Bell's company emerges based on patents granted in 1875 and 1876.

1885 American Telephone & Telegraph is created to extend American Bell's reach long distance.

1913
With 6,000 local phone companies, the U.S. makes AT&T a monopoly to build a national grid.

1956 The first transatlantic submarine telephone cable dramatically improves international service.

As you faced your split from AT&T, what was foremost in mind when you thought about managing your new company's brand?

Right from the start, I believed it was important for top management, including me, to be hands-on when it came to brand management. We wanted the senior team to own the brand, enforce what it stood for, and figure out how to express its promise. Doing this meant we had to evaluate the brand we inherited, learn its attributes and decide where to take it. We said let's go for the whole nine yards of research and analysis and not delegate a "they propose" and "we dispose" process.

Why wasn't brand a bigger deal at AT&T?

At AT&T, people took the brand for granted, me included. That's why we knew coming out of the chute in splitting off from AT&T, we had to find the essential brand promise for AT&T Wireless. We had to build off the old, add the new and own this entire process at the top of the company.

By the way, I'm definitely not saying the senior level is more right or wrong about brand than any other level. But the top leaders have to own the brand personally, deal with it viscerally, embrace it and give it juice when we speak to internal or external audiences. When you finally decide on your brand and brand promise, you'll come out with a lot of energy, confidence and alignment if the senior team has been intimately involved in brand management.

What were the big questions you were trying to tackle?

There are (or will be) several AT&Ts. And so there are three immediate challenges – questions we need to answer. First, can we live off the base strength of the AT&T brand and stake out ground for us that's different? Second, what if we create a lot of value – pumping many millions of dollars into the brand's equity – and then have to pay again because our license runs out? Third, could we add components to the AT&T brand that enhance it – things like youth, energy and fun?

As we looked at these questions, we considered establishing a second brand that would evoke the attributes we wanted to add to the AT&T brand. Ultimately we decided not to.

Several companies sharing the same brand: To find a similar situation, you might have to go back to Standard Oil. In this house with several siblings, how do you measure the differences between brands and who's getting credit for what?

The best data we have so far shows a weak but positive correlation between our sales and AT&T Broadband advertising. Just keeping the AT&T name in front of people, in whatever form, helps our sales.

Clearly, we'll conduct periodic research with other AT&T companies to assess the brand's value, health and attributes. But does it matter if you're selling different services? If an AT&T company is doing good stuff in Atlanta where two of us are present – both companies garner goodwill. In fact, most customers don't care that AT&T Wireless is separate from AT&T.

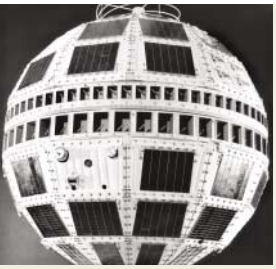
What if another AT&T company begins to have an image problem?

That's a challenge, but no one else can use the AT&T name for mobility – that's ours exclusively.

juice when they speak about it.

I should say up front: I think the DNA from the Bell System and the AT&T company belong here. In the Bell System, we created something special in the 20th century – phone lines that conquered distance. In the 21st century AT&T Wireless is conquering place. You don't call a place, you call a person. A person reaches out to others and to information wherever they are.

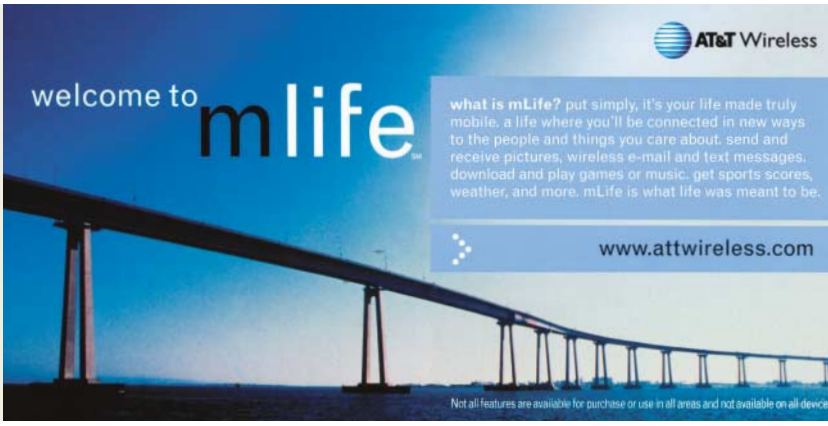
AT&T Wireless can make the AT&T name thrive for another century under its original auspices. I'm passionate about this. We are doing something profound with technology that improves lives and creates more than profits. We'll use the traditional strengths of the AT&T brand, and with the powerful attributes we add, we'll separate ourselves from our competitors no matter what happens to our AT&T siblings.



1962 Phone service goes orbital: the first telecommunications satellite, Telstar 1.

1984 Divestiture: AT&T spawns 7 regional phone companies and a long-distance carrier, itself.

2000 AT&T Wireless is born from McCaw Cellular; it becomes a public company in 2001.


AT&T Wireless
welcome to mlife
what is mLife? put simply, it's your life made truly mobile. a life where you'll be connected in new ways to the people and things you care about. send and receive pictures, wireless e-mail and text messages, download and play games or music. get sports scores, weather, and more. mLife is what life was meant to be.
www.attwireless.com
Not all features are available for purchase or use in all areas and not available on all devices

What do you want to measure to be sure you don't need to build another brand?

Nothing matters unless our brand and messaging sell service and keep our customers from churning just to get an extra ten minutes of free time on Sunday afternoons. The ultimate here is performance – we will use a customer retention measurement.

We will also develop a brand that motivates our employees. It's very important that our people share the brand vision, the energy, the pride. We want people who don't work here to think – "Hey I'd like to work at AT&T Wireless, it's a cool place."

I'd also like to measure whether our brand has attributes that distinguish us from our competitors. Research shows we are on the thin edge of following the long-distance industry into a mass of confusing plans and a welter of deal-of-the-day offers. This is not the way to compete if you're trying to avoid commodity pricing. The Lippincott brand research showed that our concern was justified. Customers were confused. They wanted someone to take them to a better place and, at the same time, show them a human face. Best of all, the research showed they'd trust AT&T Wireless to get it done.

The ultimate is a brand that moves customers to say, "Yes, I trust you to be the one to take us onward." When you have that, then you have a chance not to sell on price alone.

Has a better understanding of the brand given you tools to help you chart the future of the company through the brand? Has it helped link the brand to specific business decisions?

It's helping us run the company. For example, the project taught us the AT&T brand alone wasn't enough. Even AT&T Wireless wasn't enough. You have to field better offers and be more innovative about them at each step in your journey. And you have to find a new way to express your brand promise. The two work in tandem. A promise only lasts for six to eight weeks unless you make good on that promise and then keep improving on it.

How did your brand promise come into being?

Now more than ever people understand being connected to everybody in the world wherever they are. But after the tragedies of September 11, as people worried about somebody lying under a pile of rubble or ran up Broadway to get away from the explosion, the life-saving, life-assuring, life-securing parts of using wireless all became visceral. It was in

didn't make a cent that day – we erased all the charges for the minutes everybody used in New York, Washington, D.C. and Pittsburgh.

In a way, September 11 brought our brand to life. It was the proof of that brand. We officially stated our character at the time of our independence. We put together our values and commitments and spent time on employee road shows communicating them. But September 11 was the first time this had all been tested. I can't tell you the overwhelming response we received from employees, who said exactly what you'd hope they would: "This is a company I'm proud to work for." Our people instantly understood how valuable they were to the relief effort, and why we were in business: Not just to turn a quarterly profit, but to keep people connected.

The value of brand is in customers acquired and retained, not as a stand-alone asset. It's a tool

part because of this reaction that AT&T Wireless decided to stay with the AT&T brand. And we immediately began reshaping our offers to address people's deeply felt need for connectedness.

All this led us to the brand promise: You'll be connected and at the same time be free. That's what untethered access to all the world's people and information is all about – whether for emergencies, convenience, productivity or just plain fun.

When we think about what AT&T Wireless stands for, what the market propels us toward, we always come back to this connectedness theme.

What are you doing to infuse the brand's energy throughout the company, all the way to the stores?

The excitement and celebration we generated on what we called our Independence Day, July 9, the day of our split-off from AT&T, wasn't one-tenth as meaningful as the company's response to September 11. A do-the-right-thing instinct from top to bottom in the company drove our actions that day. We rushed our cells-on-wheels to stricken sites, gave five thousand phones to the emergency workers, got in there with our technicians to try and triangulate on signals from beneath the rubble, helped the families learn if there was a call attempt registered on our switch from a family member, and more. We

How have you used your new ad campaign to build employee excitement and energy?

We've taken mLife much further than a simple ad campaign. We asked employees to be ambassadors for mLife and what we're trying to deliver to our customers. We've armed them with information and made them insiders.

Chapter three of our internal branding effort, community involvement, is now taking shape. Our customers are local by definition. That's why we're directing our philanthropy locally – from disaster relief to the ambulance corps to community learning to activities people gather for in the evenings in community centers and elementary schools. Our people will respond because we're tapping back into caring. And we'll be able to use our technology to do well by doing good.

Before September 11 there wasn't necessarily a cohesive culture here. You were in some ways a young company made up of disparate parts.

We have lots of cultures. The company grew from a start-up founded by Craig McCaw to where we are today very quickly. There were a series of CEOs, rapid growth and different owners. And, while all this was going on, the company went public again. Now it's time for us to come together. We tried to do this around the IPO but we were only partially successful.

Only recently have we been able to start melding our cultures and to stand for something with consistency.

You've talked about the Bell System's passion and sense of mission for providing service to everyone, and that the sense of mission faded. It sounds like you are recapturing it.

This is early in a marathon race. We haven't passed the five-mile mark yet. Of all the AT&T-branded companies, wireless is the one in the growth industry. We've got places to take customers past pure voice. It's exhilarating to work here. In wireless you're constantly developing new ideas or applications such as short-messaging or #121. Pretty soon we'll all insert cards into our laptops and sync up our e-mail not in the hotel but in the cab riding to the hotel. This is fun. I think people get that.

that communicates promise.

The prospect of being free and independent has our juices flowing. We've tapped into AT&T's residue of innovation and entrepreneurship. Almost under cover of night, we became a very large company. There were 9 million customers when I got here. Now we're nearly 19 million. There was $7 billion in annual revenue, now there is $14 billion. But you can't run a big company, keep it vital, keep it growing and keep it innovative by taking the one thing that got you to be big and just do more of it. So on top of what we sell we're adding, why are we here, what's our purpose and what's the brand promise.

Are you a technology company, a marketing company, a service company, or a blend of all three?

Three or four years ago the answer would have been a technology company. We knew how to deploy brand-new technology. Right now we are half-way to declaring that we're a marketing and service company. And a marketing company is what you've got to be to have life after 50 percent penetration. To find segments of the population who aren't subscribed and who will give good revenue you have to be a marketing company.

There is a technology component to choosing AT&T Wireless, but I'd rather be considered the company that markets best and gives the world's best care after the sale. That will sustain the brand more than innovation for its own sake.

We get a lot of requests for numeric values – how much is my brand worth today? Is that a relevant issue for you?

It's tertiary. It might tell you whether you're doing all the other stuff well. The primary measures are sales and retention. Secondary measures are how the brand attributes line up against the experience we provide. Third, if somebody wants to do a brand value study and show where our brand ranks and that it's worth $30 billion, I guess so. But nobody's going to sell the corporate brand, any more than they would sell the family name.

What I'd like to know about our brand is whether people trust it to take them the next step, to the next device, to the next connectedness application and when it's time for them to take that step. The Lippincott study found that people think AT&T Wireless is the wireless innovator. That's great, we'll take that. But it's proving to them that they can trust us to take them, hand in hand, into the future – that's ultimately how we deliver on our promise.

Is there any use for a dollar number measure of brand equity, in your mind?

I just don't see the purpose. Maybe if you were breaking up a company and needed a sum-of-the-parts valuation – the hardware, the receivables, the brand – I can see that use. But we aren't being valued on sum-of-the-parts, and if we were it wouldn't

Portable wireless units being set up on 9-11 in Jersey City.

A Company that Pulled Together

Before the second plane struck the World Trade Center, the AT&T Wireless global disaster response team was converging in the company's Paramus, New Jersey regional headquarters. They had three priorities: the safety of AT&T Wireless people, emergency assistance to the public and customers. With transportation around New York disrupted, the next several days were chaotic. "You could have the greatest disaster plan and it would not anticipate September 11," said Lou Ferraro, the company's Northeastern regional vice president. "So I told our people to be guided by our process, common sense and their hearts."

They got local wireless service temporarily restored almost immediately and nearly 100 percent back to normal in two weeks. Along the way they kept rescue workers supplied with fresh batteries and phones around the clock so they could call their families, helped try to locate people in the vast rubble by triangulating on active phones and worked to make sure the victims' families and others dislocated or economically marooned wouldn't get late-payment notices the next month. "Our position was to be a good citizen and neighbor first and worry about business issues second," Ferraro said. No one in the Northeast who placed a call through AT&T Wireless on September 11 was charged for it.

"The way our people responded was awesome," Ferraro says with real pride. The key moments are often simple, unquestioning acts of humanity. Ferraro tells of touring ground zero September 14 and encountering a Denver fireman who said he depended on AT&T Wireless calls to his wife and young son. Then he politely asked a favor: He left Denver in too much of rush to change his calling plan. Could Ferraro switch him to one more appropriate for a fireman's salary? Ferraro made sure of it.

include a separate line for the brand. And we don't intend to sell the brand, so its value is in the customers acquired and retained, and not as a stand-alone asset. The brand is not fungible: It's a tool that communicates promise and expectation.

Doesn't the same point arise when companies grapple with brand risk?

Yes. After September 11 every company worth its salt is looking at risk management. We are too. Rather than start with the 500 risks we face every day, we triage the top five or top ten risks and work on those. Then we move on to the next twenty and the next fifty. On everybody's top-five list of risks around here is something that might damage the brand on a permanent or long-lasting basis, like a catastrophic service failure. We are putting muscle behind the what-ifs of brand risk. Brand value – not as a stand-alone thing, but what it does for customer retention and the expansion of the services – is so important for us, it's one of our top five risk management programs.

What experiences brought you to your understanding of brand and its power?

In the early 1990s when things started to get difficult at AT&T and we all got pressed to think about what more we could do, I gained a sense of stewardship about things. I think we've got an obligation beyond just quarterly income – an obligation to administer this company and deploy technology so that the people in the company have good careers and lives, and the people who use our services get something more than a candy bar.

A sense of brand came from my early times as a lawyer representing AT&T, understanding what it meant to bust up the Bell System and all the things it did well – even acknowledging that the situation had to change. Like a few other historians, I knew what had happened, how that institution came to be and how it thrived on more than just its quarterly earnings.

I don't think the post-break-up AT&T ever came together as a brand. I relate more to the old Bell System's sense of stewardship and what that meant to the brand than I do to the new AT&T's. It's just blind luck for me that I've landed in a place that can carry on that tradition under a brand promise that we are making credible for the 21st century.

A single number that tells you what your brand is worth today won't help you make it worth more tomorrow.

The Measure and Mismeasure of Brand

There is a great interest among many to understand what their brand is worth in sheer financial terms. However, we believe this financial valuation approach has little value. Moreover, relying on the relative financial value of brands for certain decisions can be overly simplistic. For example, a company must choose between two brands. The numbers show that Brand A

Brand is as understandable and manageable as any other activity – if measured with a

has a higher value than Brand B. The assumption often made is that Brand A is the right one to use. Not necessarily, if:

- Brand B is used in other geographic markets and has not been promoted in Brand A's territory, or
- Brand B has greater long-term potential, e.g., can be stretched or expanded and used in other categories, or
- Brand B is the corporate name and the strategy is to build one brand long-term, not support multiple brands.

The prevailing methods (see page 12) produce a rough number that is half right-brain, half left-brain – and, at best, a half-answer. It might help decide whether to pull the trigger on a merger or divestiture, but it does little to tell management how to protect and grow the value of its brand.

There is a better path. It, too, involves measurement, particularly of the feelings and perceptions in the marketplace about a brand and competing brands, as well as other factors. Its aim is not merely a number, but a clear direction to improved business performance, and the ability to refine this path over time. We call it **Strategic Brand Assessment**[SM].

The desire to determine a brand's value is understandable – in fact, commendable. In the aftermath of dot-coms with sky-high market capitalization passed off as "brand value," brands are under the microscope as never before. But a single-number approach is, we firmly believe, tangential to effective brand-building and brand management. In fact, for most purposes, brand simply cannot be reduced to a number. Any large, mature brand is an enormously complex set of values, not a single value. Making corporate decisions based on a numeric value for the brand is like managing an economy knowing only its gross domestic product.

Consider that for many companies, business and brand are inseparable. What is Nike without the swoosh or IBM without its richly cultivated identity? Commodity businesses aren't compelling. Would teenagers clamor for generic Asian-made sneakers? Would CIOs buy anonymous e-business services? Not likely. The proof of this is often at the extreme, when a brand becomes so tarnished (think of Arthur

Brand measurement process

business tool other than a calculator.

Andersen) the license to operate is removed and the business destroyed. At that point, the question of dollar value becomes moot. The value of the brand was the value of the business.

Valid Brand Measurement

Brand is no more or less than the expression of a company's essential business. As a result, it should be as understandable and manageable as any other business activity. It can be molded, steered back on course, refreshed, adapted to changing circumstances and reinvented. Or it can be distorted, diluted, squandered and neglected into oblivion. This is precisely why brand can and should be measured, but with quite different tools than balance sheets and calculators.

Think of a company's brand as a living, breathing being that resides in the collective imagination of everybody touched by the company as it conducts business. This very real human phenomenon – kids jostling to buy the newest Air Jordan, CIOs hiring IBM because they count on its ability to deliver – is best understood as social and psychological, not arithmetic. Yet one result of any brand measurement will be the allocation of financial resources to address what the measurement process discovers. Therefore, brand measurement must produce analysis that's persuasive to financial managers, and provide the means to assess return on investment.

To manage a corporate brand, we believe, requires translating the social behavior around it into rational terms, so that its important qualities are quantified as intensities and values and precisely defined components that can be acted upon. This too is measurement – not solely as a function of shareholder value, but rather as two more inclusive measures of value: **stakeholder value** and **contextual value**. The stakeholders include everyone who has a personal interest in the brand, and in proportion to their stake – customers, potential customers, disenfranchised customers, employees, potential employees, investors and brand influencers from financial analysts to community leaders. Contextual value measures the brand and its drivers relative to those of competitors, similar industries and parallel situations.

Strategic brand measurement is a process. It combines standard marketing practices and closely

1 Brand drivers and their attributes

Provides brand attributes through research; factor analysis determines the brand drivers, typically 7 to 10.

Customer Service	Product Quality	Value	Innovation
Attentive, listens	Well made	Good for the money	Ahead of the pack
Solves my problem	Lasts a long time	Good by comparison	Source of new ideas
Easy access	Few repairs needed	Range of price points	Known for creativity
Warm, friendly	Attractive		Will change the rules
	Feels substantial		

2 Relative importance of brand drivers

Identifies importance of drivers within each segment.

	Customers		Prospects	
Business Objective	Current Products	Expanded Products	New Customers	Early Adopters
	Retain	Increase share of wallet	Increase market share	Generate revenues, leadership
Customer service	■■■■■■	■■■	■■■■	■■
Product quality	■■■■	■■■■■	■■■■■	■■■■
Value	■■■■■	■■	■■■■■■	■
Innovation	■	■■■■■■	■■	■■■■■■

3 Drivers and the competitive context

Evaluates brand against competitors to identify strengths/weaknesses

4 Competitive brand position over time

Shows where to invest to achieve a desired result.

	Customers		Prospects	
Business Objective	Current Products	Expanded Products	New Customers	Early Adopters
Leverage strengths	Customer service ■■■◤ Product quality ■■■■■■■■■■■■◤		Innovation ■■■■■■◤	
Address weaknesses	Value ■■■◤	Customer service ■■■■■■■■■◤		
Capitalize on opportunities	Value ■■■◤	Product quality ■■◤	Innovation ■■■■■■◤	

The biggest benefit of valid brand measurement is direction for the business itself.

related methods from the social, behavioral and statistical sciences. As in all good science, there is an art to its application. Properly managed, this process produces information and tools that help senior management make critical decisions, point the business in the right direction and achieve objectives that can:

- focus and intensify the brand
- clarify and refine strategy
- create compelling new offers
- protect against brand risk
- produce competitive advantage
- reduce brand-support costs
- improve short-term profitability

Methods to Measure a Brand's Value

While financial methods assign a numeric value for brand, and brand image tracking provides benchmark ratings, only Strategic Brand Assessment℠ provides a roadmap for increasing brand value.

Brand as Intangible Asset (Numeric Value)
- Explains difference in market-to-book, expected earnings or expected income as brand value
- Uses established accounting methods
- Attributes other intangibles to "brand"

Brand as Piece of Company Market Value (Numeric Value)
- Uses measures such as advertising, patents, R&D' age, industry structure, expected earnings
- Often used to compare companies across industries
- Only works for public companies

Brand Index Valuation
- Relies on a historical database of brand image attributes across a range of product categories
- Uses ratings index to benchmark relative brand strength
- Not customized for particular industry and company situation

Strategic Brand Assessment℠
- Defines brand value in business context from perspective of current and potential customers
- Uses customized primary research to define brand drivers and assess relative brand strengths and weaknesses in a competitive context
- Identifies brand positioning opportunities and business investment imperatives for building brand value

In addition, this process will help enhance the traditional benefits of a strong, clearly defined brand – employee retention and recruitment, ready sources of funding and customer loyalty.

Pinpointing Brand Drivers

At the core of any brand are a handful of elements that can influence and change behavior. We call them "brand drivers." They come from a small, specific universe of "brand attributes." Knowing the brand drivers provides managers with a powerful array of options for bringing brand to bear to solve business problems, seize market opportunities and plot the most profitable course for the business.

There are two elements to brand drivers: The attributes people consider when deciding to purchase a brand in a category, and the actual differentiators – the elements that spur behavior. A company typically has a half dozen or so key brand drivers, which vary in relative importance depending on audience and circumstance. Any brand-driver research needs to be sufficiently deep to understand the changes in relative importance among not only the company's drivers, but also those of competitors. Over time, additional studies will show shifts in this picture, particularly the effects of any actions taken to achieve some desired result.

Depending on industry, brand drivers generally don't alter dramatically year to year. But if the business is technology-dependent or otherwise full of flux, drivers can change quickly. For example, as people become familiar with technology through use, second-order drivers become more important. It makes sense to promote a company's ability to innovate in advance of an important product launch, but after the launch emphasis may need to shift to tangible features, benefits and price.

Despite the decided benefits of Strategic Brand Assessment℠, few companies fully know and understand their key brand drivers. Yet companies commit sizable resources to other less strategic brand measurements. The marketing department probably gauges awareness and perceptions of the brand. Advertising recall is typically measured. This research may provide a picture of the brand at a point in time, but no roadmap for the future. To complicate matters, brand measurement in large companies often consists of decentralized, uncoordinated research efforts. The brand "picture" becomes a series of fragments by line of business,

Measuring Brand: Single Valuation vs. Ongoing Strategic Assessment

Single-Measure Brand Valuation℠	Ongoing Strategic Brand Assessment
Retrospective	Future-oriented
Focus on single number	Focus on strategic business outcomes
Weighs financial value	Weighs relevance to customer and business
Audience not important	Focus on audiences through segmentation
Compares competitive brand values numerically	Analyzes competitive brand equity
Does not identify strategic opportunities	Identifies and assesses strategic opportunities
Static view of brand strategy	Dynamic view of brand strategy
Serial over time	Iterative and cumulative over time
No feedback beyond numerical change	Feedback to assess decisions
Tactical	Strategic

geographies and target markets. Yet even the most robust of conventional brand studies tends to fall short in helping determine future brand direction.

Strategic Brand Assessment℠

Our approach isolates the impact of brand. It digs down and exposes customer decision-making. It involves a comprehensive assessment of the brand in the hearts and minds of all critical audiences, external and internal. The process has four major parts: information gathering and preparation, experimental design, back-end analysis and decision modeling. Of the four, the work up front is the most important. From the initial preparation and analysis – why and what you're trying to achieve – everything flows.

The results come in terms of strategic options: What's important, a brand's strengths and weaknesses, competitive brand strengths and weaknesses, are there white spaces – important areas not served that a brand is positioned to own. What starts to emerge is a roadmap for the brand linked to what the company has been doing recently, what it should do in the future, and direction on how to get there.

In light of this new information, the company's vision and mission may need modification. It will help the company refine its positioning. Defining the key image attributes follows in a process that starts with the study results, filters them through top management's knowledge and experience, and makes sure they differentiate in their competitive arena. Next in the process: a communications plan with audiences identified and messages by key audiences. Finally comes implications for the business itself. These can be the biggest benefits of strategic brand assessment – areas of vulnerability that must be buttressed to improve credibility, or unique strengths that suggest paths for future service offerings. The more extensive and well-planned the research, the more likely that these business implications will have real substance.

Another key measure is organizational alignment – how well the vision is being supported. Are the company's values well understood internally or are there pockets of confusion or resistance? Is employee behavior toward customers consistent with the image the company wishes to project, or are there disconnects?

Clearly, strategic brand measurement can be a powerful and versatile tool, not only to move a company forward in the directions indicated by its strengths, but also to identify and address weaknesses. It doesn't merely try to place a value on the corporate brand: It provides the means to maximize brand value and project value into the future.

Conclusion

Realizing that brand has value is a fundamental first step. If attaching a number to the corporate brand is the only way to gain high-level attention and make the point, then by all means do so – but quickly move on to more fundamental goals: Understand the brand, make sure it is strong and relevant and learn how to maximize the brand's positive impact on tangible business results. To do these things effectively and efficiently requires a brand measurement process that monitors brand drivers – the attributes of the brand relevant to key audiences. Companies that are first to invest in such a process will understand better than their competitors how to differentiate their business, gain share of mind and keep their brand and company vital. These companies are more likely to become industry leaders.

How big are the risks to a company's brand?
In direct proportion to one's unwillingness to find out.

Managing Brand Risk

Many companies are now comfortable with the idea that a brand has value, however difficult that value may be to measure.

Likewise, executives are familiar with the benefits of a relatively strong brand, including stronger loyalty, a premium price for products and services, the ability to attract and retain good people and a higher stock price relative to rivals.

Yet this knowledge has failed to generate the same interest in guarding the brand against threat – or even a desire to understand the likely threats and their often swift and certain consequences.

Clearly, if brands have value they can lose value. Strong brands can go off course, suffer a blow or simply fall apart. And, unlike the difficulty of measuring brand value in good times, when a brand weakens, the ramifications for the underlying business will be all too easy to gauge in lost market cap, profits, revenue and future sales. You never know how good you've had it until it's gone.

Moreover, for most managers, the notion of "risk" usually evokes something catastrophic – a natural disaster, an act of sabotage, a technological meltdown – when, in fact, the risks most companies face are from strategic missteps. In a study of Fortune 1000 companies that lost at least 25 percent of their market capitalization in four weeks or less during the mid to late 1990s, 58 percent of those declines were from strategic error and many were brand-related (see chart on page 16).

This brief article discusses ways companies can understand and minimize brand risk. The idea is not just to prepare for the worst but to put in place a process that manages brand risk – including a plan to control any potentially harmful situation to maximum advantage.

Three types of risk

A great brand is inseparable from a company's business. Its strength courses through every

decision, outward gesture and personal deliberation the company makes as it moves forward and upward. Such a brand does not live in a vault without time or threat. In fact, among the ways a company can lose value rapidly – management change, departure of a major customer, catastrophe – serious brand damage is high on the list.

Definition: Brand risk is the threatened loss of value due to a change in people's perceptions about the company.

These changes in perceptions can impact the demand for a company's products and services and, in the worst-case scenario, its license to operate.

We believe there are three different types of risk. It is important to distinguish among them because each requires its own approach. This is particularly important when two or three risk types are prevalent at once, with one risk masking another and the risks multiplying the danger.

Brand Equity Risk: The loss of what differentiates a company from its competitors. Without this, the company is selling a commodity.

Reputation Risk: The loss of the quality and trust built over time – what a company must provide to attract customers, employees and partners.

Marketplace Risk: A change in the economy, industry or marketplace – circumstances a company may share with others, but unevenly.

Major risks and some results

The three general types of brand risk can produce a variety of harmful results, some more apparent than others.

Portfolio Weakness: If a portfolio of closely related brands is not strategically sound, brands can overlap, lose distinctiveness in the minds of managers, or otherwise damage each other. The risk of this is greater immediately after a merger, but it can occur whenever a large, healthy company fails to clearly define distinct paths of growth for each of its brands. Recently, the major accounting firms all made brand decisions to distinguish an accounting practice from a consulting business. When and how this separation was managed will have big implications for each company's brand and future. Another example: After much initial struggle under the athletic-shoe companies (Nike and Reebok) that acquired them, two quite different brown-shoe brands, Cole-Haan and Rockport, found their niches – which are wisely worlds apart from their parent brands.

Commoditization: Companies do this to themselves when they decide to compete on price alone. Soon the brand is far less compelling. The counter-strategy is to build strong brand preference through brand positioning, brand differentiation and brand management. Many personal computer makers perished in the price wars of the last decade; that few of their names leap to mind today is precisely the point. Oil companies, by contrast, are confronting the consumer perception that gasoline is a commodity by building brand preference with extra services and on-site convenience stores.

Cultural Shifts: The reality of this risk is a decline in desire for a company's products or services. Some cultural changes are easier to spot and adjust to than others. Oldsmobile, once one of

When unanticipated change occurs, brand can be hard hit crisis management does

GM's premier, most profitable and best-loved brands, seemed perfectly positioned to take advantage of the graying of the U.S. population. What the brand didn't count on was that people don't want a car preferred by the elderly – particularly if they are elderly. The brand has lost so much value it is being nudged into oblivion.

Brand Misalignment: A brand can become distanced from what is true and valuable about it in people's minds in many ways. The following four are common:

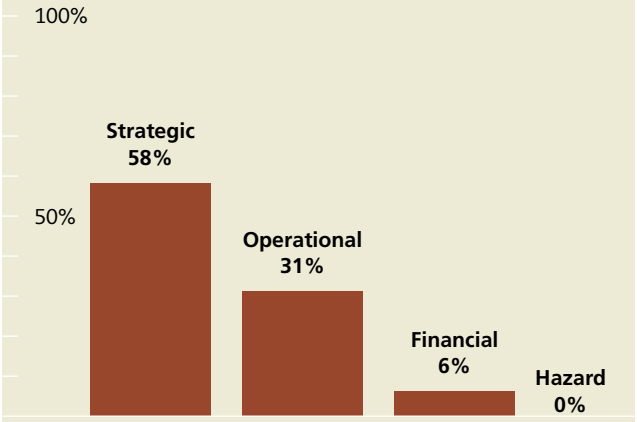
- **Extension**: When a company grows too rapidly or broadly, the brand starts to lose strength, focus and relevance for core customers and new prospects alike. One needs to be particularly mindful of this risk when considering a merger, acquisition or spin-off, as well as during the adjustment phase that follows. As Seagram's, a well-respected spirits brand, expanded into entertainment, brand confusion ensued. The same occurred as Vivendi, a French water utility, bought entertainment properties. In each case, more attention to the consequences for the corporate brand would have yielded a smoother business transition. When executives plan expansions without a clear sense of the brand's definition in consumers' minds, trouble can result. Example: Isuzu's attempt to become a car company, when it only had credibility as a truck and SUV maker.

- **Partners**: Partners can have a large impact on a company's brand, positive and negative. As companies make joint marketing agreements, a solid strategic brand effort needs to occur to prevent risk to both brands The Ford and Firestone partnership is a perfect example of how things can go wrong.

- **Employees**: Who you hire can put the brand's promise and image at risk if they don't buy in. Companies that fulfill the brand promise through all of their employees tend to dominate their categories. But missteps are common. Saks Incorporated, which grew from five Knoxville, Tennessee stores under one brand in 1987 to 340 stores and ten brands a decade later, sought cost savings by using the same call center for upscale Saks customers and its discount department stores. Understandably, Saks customers expected better service and the brand suffered. The clothing brand Diesel, on the other hand, is so careful about its hiring of clerks that it doesn't just interview them – they must audition!

- **Promise:** When the promise a company projects is different from the actual experience its customers have with its products or services, either the promise is wrong or it's time to fix the business. Coach, the one-time darling of a whole generation of urban women, fell from grace by failing to update its products, stores and image. Once it did so, Coach reclaimed its core consumers and in the process attracted a whole new set of fans. The venerable department store brand Lord & Taylor is in the midst of a similar process.

Drivers of Shareholder Loss



Over a five-year span, 10% of Fortune 1,000 companies lost 25% of their market value in four weeks or less. Their losses were due overwhelmingly to strategic, brand-related causes.

Source: Mercer Management study

because
not include brand management.

Brand vulnerability assessment: tools to manage the future

Clearly, the business world is full of brand risk. Enron and Andersen are timely examples. And the future will happen, whether or not one is prepared for it. Companies should have a brand risk measurement process in place. When unanticipated change occurs, brand can be hard hit for a simple reason: Senior managers tend to focus on the hot spots and neglect the guidance brand should provide. They become crisis managers without also being brand managers.

- The impact of catastrophic occurrences, some that will be covered by insurance (storm, malice, theft, accident) and some that won't
- Where the brand is eroding or might easily do so
- The effects of brand damage on various internal and external constituencies
- Risks to the brand posed by a disaster at key customers, partners or suppliers
- Likely risk combinations including a "perfect storm" of converging risks
- Required action steps

For example, a brand-driven approach can help decide among an array of crisis-response options that not only solve the problems, but do so in a way that supports and protects the brand.

For most brands, a Brand Vulnerability Assessment℠ makes sense on a number of levels. Essentially an analysis of the brand to determine what risks it faces and which, if any, are threatening, the process examines all of the brand's potential risks among all its key audiences – e.g., customers, employees, the financial community, influencers and regulators, as well as competitors. The result is a tool the company's senior executives and risk managers can use to put brand risk in perspective – to weigh it intelligently among other business risks, and identify and address real threats to the brand. The benefits of this analysis are to identify:

The next important step is a plan for ongoing risk management and potential response to brand damage. Its first and most essential piece: a communications plan to keep all constituents promptly and fully informed. Second, a pledge to do the right thing at all costs. Companies should also be building reservoirs of good will in the communities where they live and operate. Good will can be an effective barricade against short-term brand erosion in a crisis.

Good brands are both resilient and fragile. This seeming contradiction is simply an accurate reflection of the world we live in – by and large secure and predictable but occasionally full of danger, disruption and plain old distraction. Companies need to be particularly alert to brand risk during periods of rapid transition in which they seem fully in control such as a merger, acquisition or spin-off.

In sum, it is far easier to create a plan to combat risk than to recover lost brand strength and focus.

We asked three senior custodians of brand to talk about brand measurement, brand development and related issues. All have managed major, ongoing brand redefinitions. The scope of planning, in all three cases, was global.

All three embrace measurement as critical to understanding customers' perceptions of their brands and in managing their brands.

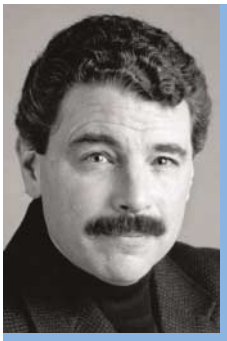
Brand Management

For IBM's Lee Green, measurement showed how dispersed the IBM brand had become before Lou Gerstner took the reins, when IBM's fragmented approach to visual identity, communications strategy and brand positioning sent conflicting images to customers, thereby weakening its competitive strength. More recently, measurement has showed the company's strong progress toward brand coherence.

For Citicorp's Anne MacDonald, qualitative measurements make sure the quantitative assessments of advertising effectiveness don't prompt decisions that inadvertently weaken the brand. Since advertising is only part of brand-building, these measurements provide insights into the total customer experience and how it drives behavior and business results.

For Nissan's Mark Perry, measurement helps assess the pace of the company's new global branding initiative and, more particularly, helps guide the design of the company's global retail experience. Mark looks at the "big picture" to determine how everything from product design to sales to service build preference and long-term loyalty to Nissan.

These several forms of measurement seek to understand the connective tissue between a company's corporate brand and its most valuable constituencies. For these three companies, leadership in their categories is synonymous with brand strength, and ongoing measurement is the surest way to evaluate and, when necessary, redirect the corporate brand.



"Our brand expression is always linked to customers."

Lee Green, IBM
Director of Corporate Identity and Design

Lee manages IBM's worldwide product industrial design, identity programs, graphics, packaging and Internet design. In his 23-year career with IBM, he has held numerous design and management positions. He has a master's degree in Communications Design from Rochester Institute of Technology. He has taught design courses and lectured on design at Stanford University, Harvard, MIT and RIT and published numerous articles on design and corporate identity.

The Fall and Rise of the IBM Brand

In the late '80s we went through a period when brand expression and design decisions were delegated to what were emerging as separate businesses. At the time we were on a path of disaggregating the corporation. The result, very quickly, was a significant erosion of our brand image, brand identity, brand value and visual brand expressions. In the last nine years we have been able to rebuild the brand to be consistent with the new corporate strategy that Lou Gerstner spurred when he came to IBM as chairman and CEO. He determined that we'd be much better positioned if we leveraged the collective strengths of the corporation and presented a single IBM.

Importance of a Company's Visual Expression

We consider the brand's visual expression – those things that in many cases you see even before you engage with the corporation – to be the ambassadors

of the brand. Their impact and resonance are significant in terms of determining your perceptions. These exposures could support your belief that we are an efficient, integrated solutions provider. Or they could erode that belief and have you perceive that we are fragmented and disaggregated.

Usefulness of a Brand Audit

Shortly after Lou Gerstner's arrival we engaged in a visual brand audit. It included everything from the visual identities and logos being used around the world to the way we appeared in advertising, marketing literature, business shows and exhibits and product designs. The result reflected an even more significant fragmentation and erosion than I believe anyone had anticipated. Perceptions of IBM were not very strong. Our signals were mixed. We had, for example, literally hundreds of logos in use around the world.

The visual assessment set a course for many of our actions – everything from agency consolidations to restructuring and reorganization within the company to a more rigorous focus on marketing, brand and design disciplines. Since then we've rebuilt from zero the overall visual expression of the IBM brand.

Staying in Touch to Build Differentiation

Our role in the product area is to understand emerging technologies and customer aspirations. We create a synthesis of both. One way: observational research, such as "a day in the life of a user."

We don't ask customers to define the solution or even the problem, but observe how they interact with the product. Astute researchers and designers can translate this learning into the next generation of products. We've used this methodology for several years and it's paid significant dividends. One example: We've made major enhancements to our server family, IBM eServers, that allow customers to set up, repair, service and upgrade systems in probably one-tenth the time it would have taken five years ago. Fault indicators tell you where the problem is, diagnostic panels identify the component that may need to be serviced, and in many cases components can be removed while the system is running. This is advanced design and engineering that extends far beyond the cosmetic. And it's powerful in creating a superior brand image for the product and IBM.

Brand Value, Business Value and Measuring Value

The value of the brand and the value of the business work together. It's obvious that if your business value erodes it will have an impact on your brand value and vice versa. Through many methodologies and studies over the years we've seen increases in IBM's value as a brand.

in the Real World

It is important to monitor the value of your brand and be sensitive to company actions and behaviors that influence that value. These are the same actions and behaviors that impact decisions customers make when they determine whether they are going to engage with you as a service provider or purchase your offerings. The two things are closely linked. If you do what you should to positively influence perceptions and brand valuation, then you'll find that your business value is growing as well.

"We are big believers in measurement."

Anne MacDonald, Citigroup
Head of Global Marketing

Anne is the Managing Director of Global Marketing for the consumer business at Citigroup. She joined the organization in 1997 as Managing Director of Global Branding and Communication, and assumed her current position in 1999. For the previous five years she was in charge of brand management and communication for PepsiCo's Pizza Hut division. Anne began her career in the international division of Grey Advertising and spent 13 years in senior leadership roles at N.W. Ayer. She has a master's degree from Bath University in England.

CITI's Evolution

Citibank is a 100-year-old company and yet a little over two years old. One can't disregard the huge merger that took place and the changed nature of the company and its much broader offerings to consumers. We want to cover the full spectrum of financial tools consumers need across their life span.

In repositioning the brand we needed to change the perception that banks were big vaults, institutional and daunting. I doubt anyone has a bank in their list of top five superb-service companies. We're beginning to change that – not only here but around the world.

A Combined Strategy for Basic Brand Research

To arrive at our new brand, we combined qualitative attitudinal and perceptual research with quantitative work to make sure that the ideas we were seeing start to gel were held by a majority of our prime target group, and that the group was big enough for a company our size. We sized the market as well as doing psychographic work, if you will.

Measuring Attitude vs. Business Results

A lot of people who measure broad-based advertising efforts do so attitudinally – are consumers' attitudes and perceptions more positive after the campaign has seeded itself than prior? This, I think, is only half the story. You can create higher levels of awareness of your brand and improve consumers' positive perceptions and attitudes, yet never build business. Many companies assume that behavior will follow from advertising and they just watch to see if business is building. We are interested in perceptions and business results.

Brand Perceptions as Deliverables

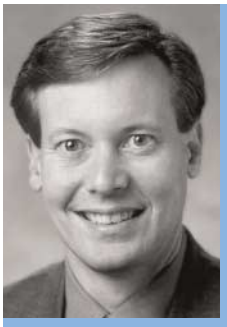
Imagine a grid with relevance and differentiation as the two axes. Our marketing group has deliverables in both areas. We actually set annual objectives for ourselves. And we track perceptions to make sure we meet our goals. We work with the marketing folks inside the businesses. This is where consistency of a fully integrated message is critical. We know we get a better response if our messages are tightly connected. And if we have the right message, we will move clients on relevancy. This helps to enhance everyone's ability to be disciplined and critical of the quality of our marketing communications.

Increasing differentiation means staying aware of how current customers and prospects perceive our offerings and what makes us different/better than competitors. We work closely with the product development people. Our differentiation goals cause us to work hard to get the right products, product attributes and service components and communicate them effectively to consumers.

Tracking Spending

We have a very good system that tracks our spending on a monthly basis across 24 categories. We also divide out drive money – money out in the marketplace – versus non-drive, which is back-of-the-house, to make sure the back-of-the-house spend isn't too high.

Processes and disciplines are very much the way our senior folks like the business to run. It tends to eliminate surprises, actually – that's the goal. We have very good disciplines, but we're also realistic. Many are new and we have a lot of work to do. By no means are any of us satisfied that this machine runs on its own and we just add oil once in a while.



"Brand touches everything we do."

Mark Perry, Nissan North America
Director, Brand Management and Research

Mark is leading the team responsible for establishing the right culture, communications and design to support the company's Nissan and Infiniti brands in the U.S., Canada and Mexico – a process that began in 1999 and is scheduled to extend to 2009. He also oversees consumer marketing research. Mark joined Nissan in 1983. He is a graduate of Virginia Tech.

From Product Brand to Corporate Brand

In redefining the brand, our CEO, Carlos Ghosn, was personally involved in setting our global strategic direction. The Nissan image was fuzzy because our brand stood for something different in every market. And we were different over time. In the U.S. we used to be a sports-car company, then a sedan company, then a truck company. Our products' characteristics and personalities weren't woven together into a coherent picture of Nissan. Our goal is to connect the dots so that people say, "I understand what Nissan is about. Nissan provides original, imaginatively

designed vehicles that give me an inspiring driving experience and I'm willing to pay for that."

Aligning the Pieces to Fulfill the Promise

Advertising puts a face and adds a voice to the brand, but it's the last thing we do. Unless we have all of our products aligned, our employees understanding where we are going, the retail experience at the point of contact worked out and aligned, we'll make a promise with advertising we can't deliver on. The dealership design, the point of retail contact, is where it all can break down. We have a saying – nothing happens until it happens at retail. That is the moment of truth, when the customer walks in that door.

Design for the Real World

In deciding design direction for our dealerships, we had three masters. Of course we had our brand direction – what Nissan was going to stand for.

Second, a dealership had to be a showcase for new products. We gathered customer information from syndicated research and our internal studies. Because of its sheer size and the investment required, the auto industry isn't prone to leading-edge innovation in retail. We didn't want to limit ourselves to our industry's best practices, so we looked at trends in fashion and fast-food retailing and in mall design.

Third was operational. All of our outlets are independently owned franchises. We needed a design our dealers would be willing to invest in and one that didn't stand in the way of their operations but in fact enhanced them, and clearly enough so they could see the benefit.

Succeeding with Global Design on a Local Level

Our process wasn't one in which the corporate folks do design development, hold a meeting and go "ta-da," here it is, you're supposed to like it. We were diligent about involving the right people. We had the support of our National Dealer Advisory Board. And we got commitment from a group of dealers for a year. We said we're going to pick your brains, visit your dealerships and make you intimately involved in all decisions. We aimed for all 1,100 dealers in the U.S. to adopt our design.

The response we've had is a testament to that process: 59 dealers in the U.S. broke ground by the end of March; another 61 are in the works. And 300 guys are saying, where am I in the queue?

Measuring Brand Progress

As we build our brand, we have metrics in place to measure our progress. We measured the strength of the Nissan and Infiniti brands in relation to our competitors. Europe and Japan went through a similar process. Not to mirror other brands – we wanted to understand their characteristics, then determine how to differentiate ourselves. Toyota in the U.S. has a brand any automotive marketer would admit is strong – the power of which we'd like to emulate. Honda as well. But you cannot survive being a third choice. You're just competing on price. We had to establish who we are, what we stand for and why we deserve consideration – and we have.

On the luxury side, Lexus has done a wonderful job, BMW has probably done the best job, and Infiniti will look to them for benchmarking. But again we have to carve out our own unique, compelling and relevant space.

As we move forward, we obviously will measure profitability, sales share and transaction prices. We will measure brand image and customer base expansion, what we call conquest/defection – how many new owners join the franchise versus how many leave – and also customer satisfaction.

If we do things right, both Nissan and Infiniti will enjoy enduring profitable growth because we will have built two powerful brands.

What does the dollar value of a brand contribute to equity analysts' overall valuation of a company? Little if at all, we learned, and then circumstances mean everything.

Corporate Brand and

Brand value as a number, say Wall Street analysts, has little relevance. It can change at any time. Brand value and valuation are dependent on marketplace dynamics and management. Yet, generally speaking, strong brands signify strong companies. While there have been instances where "image" overtook reality (e.g., Enron, Adelphia, the dot-coms) and caused stock prices to soar only to plummet once sanity returned, they were the exception not the rule.

> **"We don't start with the brand to assess growth potential. We ask about the strategy behind the brand."**
>
> — Beth Cotner, Putnam Investments

We spoke with two leading analysts and inquired about the role brand valuation plays in their evaluation of a company. The answer: None. Nor do rankings of brand value have much validity, except in retrospect to indicate change over time. Brand value may be important in determining whether an acquirer paid appropriately or how a spin-off may perform or be valued. But, by and large, analysts look for investments based on other factors, including:

- A strategy that is understood and valued
- A strong, dynamic business model
- A stable industry not likely to be commoditized
- Active growth and market development plans

That being said, they do believe companies that are better known and understood have a leg up in investors' perceptions. Both analysts think corporate brand has value for investors "in general," particularly for brand recognition. "If investors have heard of a company," says Carol Warner, head of the Merrill Lynch branded consumer products analysts, "they're more likely to look at it." But consumers don't necessarily connect a product brand with the parent brand. Procter & Gamble, she notes, has worked to enhance the corporate brand among investors and consumers "to its advantage." But Newell, another company she follows, had little corporate brand recognition, especially outside the U.S., yet had a strong portfolio of product brands including Levolor and Calphalon. When it acquired Rubbermaid and decided to become Newell Rubbermaid, the new name "helped a lot just in terms of public recognition."

Valuing a brand in financial terms has been employed to help understand an acquired or divested brand. But the validity of this practice varies from category to category and situation to situation. Moreover, investors need to understand the value of a company not just at a point in time but projected forward.

Can brand value predict a company's future performance? Perhaps, but not using financial valuation over time, which trails a company's performance and the market's response. Far from forecasting, this method spots a trend after the fact. Beth Cotner, head of the consumer team at Putnam Investments and of Putnam's large-cap growth portfolios, notes that a growing brand may hold clues to its future. Success in one geography or segment may be repeatable: "A similar market share may apply elsewhere," she says. And brands can have dormant value. Warner cites Avon: "Several years ago it was a has-been brand with a brand-perception issue, but now Andrea Jung, Avon's chairman and CEO, is growing the business and the brand. It's a clear indication of what you can do with an established brand, even one that's fallen. But you still must judge it in terms of results." As a counter she cites Rubbermaid, which had a high numerical valuation "but the business wasn't doing well. That's

"With a strong brand, chances are a business is gaining share. But assigning a specific dollar value to the brand is hard to do and not that meaningful."

— Carol Warner, Merrill Lynch

Wall Street

why it's tough to attach a dollar value to a brand – you've got to take into account all the factors that affect performance."

Thinking about brand can help rationalize a merger or acquisition. Warner notes that spin-offs tend to be more successful if the brand is well-known. "You don't want the first question to be, 'What do they do?' When Ralston-Purina spun off Energizer, people had heard of Energizer, which helped."

In acquisitions, companies often happily pay more for a well-known brand. Creating a brand can be risky and expensive. To expand its computer and consulting business, Hewlett-Packard chose to buy the highly regarded brand Compaq rather than start from scratch. Another example is Procter & Gamble's acquisition of Clairol, says Warner. "Procter & Gamble paid a significant amount for Clairol because Clairol was a well-known name in hair color." She continues, "Let's face it, there are a lot of brands and the world doesn't necessarily need more." Buying the right brand, of course, is only part of the story. "We watch the brand integration process closely," says Warner. "With P&G and Clairol, we're keeping an eye on what they'll do with their other hair-care brands as a result."

Are strong brands safe? One big risk is market forces that push product brands toward commodities. Warner cites batteries: "Several years ago consumers bought either Energizer or Duracell. Those companies raised prices every year and spent a lot on advertising. Nowadays consumers have figured out there's not much of a difference in batteries and they'll buy whatever brand or no-name brand has the best deal. Batteries are now a commodity business that happens to be branded. I can't put a dollar amount on it, but clearly a battery brand is not worth what it was three or four years ago."

Does a company's visual identity contribute to brand value? According to Warner: "In general, brand consistency is critical. If you are consistently recognizable, that's a huge leg up. And if visual identity hasn't been leveraged, that's unfortunate. Since brand is the first thing people see, you want it to be high quality. If it is low quality or cheesy or not understandable, you'll lose your audience before they even try your product or your service." Cotner notes one area where brand now has more significance than it did previously: the Internet. "If you're buying something online, a brand has more value than not-a-brand. At Sears, when you're looking at a washer, you might be comfortable buying private-label because Sears is selling it. But on the Internet, brand is probably more important. In sum, equating brand value with a company's future financial prospects is risky at best. Investors who did so with dot-coms relearned the meaning of "bubble." Yet strong brands have great value, which can only be safeguarded with diligent brand management. Now that the world is once again skeptical of hype and hollow figures, we must realize that the only real understanding of brand is not on a spreadsheet but in the hold a brand has on its most desirable audiences.

Can brand measured as a dollar value predict future performance? Far from forecasting what will happen, this method spots a trend *after* the fact.

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Founded in 1945, Lippincott & Margulies pioneered the discipline of identity and brand strategy consulting. Part of Mercer Consulting Group, the firm operates globally from its headquarters in New York City and other offices in the United States, Europe, Asia and Latin America.

Lippincott & Margulies provides planning, design and implementation services for:

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